Greater Giyani Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Greater Giyani Municipality is a municipality performing functions set out in the Constitution (Act 108 of 1996). Providing services to the community as covered in the jurisdiction.
Mayoral committee	
Mayor	Cllr Mathebula Sasavona Salva
Speaker	Cllr Hlungwani Mafemani Patrick
Chief Whip	Cllr Mashale Masenyani Richard
Exco Member	Cllr Ndaba Nkhensani Harmony Pretty (Corporate and Shared Services)
Exco Member	Cllr Manganyi Khazamula Abraham (Finance)
Exco Member	Cllr Baloyi Tintswalo Elizabeth (Infrastructure)
Exco Member	Cllr Mabulana Peter Sello (Office of the Mayor)
Exco Member	Cllr Bilankulu John Hlengani (Health and Social Development)
Exco Member	Cllr Mthombeni Africa Mavhayisi (Water, Sanitation and Energy)
Exco Member	Cllr Mabunda Elisa Nkhensani (Planning and LED)
Exco Member	Cllr Makhubela Hlupheka Winnie (Sports, Arts and Recreation)
Exco Member	Cllr Shibambu Basani Agnes (Public Roads and Transport)
MPAC Chairperson	Cllr Mabasa Rhulani Oral
	Cllr Baloyi Douglas Emmanuel
	Cllr Mthombeni Mchacha William
	Cllr Makubele Sophie
	Cllr Malungana Elia
	Cllr Makhubele Thankyou Mbhizo
	Cllr Valoyi Xavelela Judith
	Cllr Mboweni Agrey Ernest
	Cllr Kubani Sevha Solomon
	Cllr Kobane Gezani Eric
	Cllr Mthombeni Tsakani Noria
	Cllr Ndlovu Tiyani Lawrance
	Cllr Makoseni Fumani Clerence
	Cllr Mokgobi Phillip Thomane
	Cllr Khosa Masenyani Adolph
	Cllr Chauke Mukhachani Juring
	Cllr Mhlongo Mashau Calvin
	Cllr Khosa Jabulani Samuel
	Cllr Mthombeni Amukelani Florah
	Cllr Mahlawule Soyaphi Calvin
	Cllr Manganyi Tintswalo Constance
	Cllr Rikhotso Hlayiseka Roger
	Cllr Mashele Basani Ivy
	Cllr Gaveni Bridget
	Cllr Ngobeni Risimati Edward
	Cllr Rikhotso Risimati Christopher
	Cllr Khosa Ringeta Sally
	Cllr Maluleke Noel
	Cllr Mkansi Xigiya Ben
	Cllr Mthombeni Sizeka George

General Information

	Cllr Mashimbye Dzuni Calvin Cllr Shivuri Daison Tinyiko Cllr Makhubele Masenyani Jackson Cllr Zitha Thandazo Christinah Cllr Shimange Fazi Mikateko Irene Cllr Khadlhela Nomsa Rachel Cllr Zitha Thandi Cllr Baloyi Nyiko Nyumisani Cllr Siweya Cynthia Masingita Cllr Maluleke Tinyiko Rose Cllr Sekgobela Reginah Ntsako Cllr Manganyi Sevha Vusi Cllr Madzunye Nhlamulo Mavis Cllr Hlungwani Mbanadla Patrick Cllr Shivambu Hasani Richard Cllr Chauke Masenyani Thomas Cllr Mazivuko Patric Cllr Nkuna Soyaphi Robert Cllr Mathevula Mthakathi Prince Cllr Makamu Mafakhale Alpheus
Grading of local authority	3
Accounting Officers	M M Chauke
Chief Finance Officer (CFO)	J Shivambu (Acting)
Business address	BA 59 Civic Centre Giyani CBD 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General South Africa (AGSA)
Preparer	The annual financial statements were internally compiled by: J Shivambu (Acting Chief Financial Officer)
Website	www.greatergiyani.gov.za

General Information

Enabling Legislation	The Constitution of the Republic of South Africa (108 of 1996) The Division of Revenue Act 2011 The Municipal Finance Management Act (56 of 2003) Municiapl Systems Act of 2000 Municipal Structures Act (117 of 1998) VAlue Added Tax Act (89 of 1991) Municiapl Property Rates Act (Act No.6 of 2004) Skills Development Levis Act (9 of 1999) Employment Equity Act (55 of 1998) Unemployment Insurance Act (30 of 1996) Basic Conditions of Employment Act (75 of 1997) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Budget and Reporting Regulations The Income Tax Act (58 of 1962)

Index

The reports and statements set out below comprise the annual financial statements presented to the council and provincial legislature:

PAYE	Pay As You Earn
EPWP	Expanded Public Works Program
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
GRAP	Generally Recognised Accounting Practice
INEG	Intergrated National Electrification Grant
VAT	Value Added Tax
LGSETA	Local Goverment Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
MDRG	Municipal Disaster Recovery Grant

Accounting Officers' Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 6 to 71, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2018 and were signed on its behalf by:

M.M Chauke
Municpal Manager

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

2. Subsequent events

The accounting officers are aware of the following matters or circumstance arising since the end of the financial year:

The Court has issued a final order to liquidate VBS Mutual Bank on the 13th of November 2018.
The municipality had investment with VBS Mutual Bank amounting to R 159 992 951.

The insolvency of investment through VBS Mutual Bank debtor that occurs after the reporting date usually confirms that a loss existed at the reporting date on an investment account.
The municipality will access the amount to be written off once the process of liquidation has been finalised.
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3. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
R.H. Maluleke (Acting)	South African	1 November 2016 to 31 January 2017 Reappointed 1 May 2017 to 30 June 2017
M.C. Chaamano (Acting)	South African	1 July 2016 to 31 October 2016
P.M. Mathebula (Acting)	South African	1 February 2017 to 30 April 2017
M. M. Chauke	South African	Appointed Monday, 01 January 2018
R.H Maluleke (Acting)	South African	Appointed Saturday, 01 July 2017, resigned Tuesday, 31 October 2017
M.T Shiviti	South African	Appointed Wednesday, 01 November 2017, resigned Sunday, 31 December 2017

4. Auditors

Auditor General South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	10	2,841,375	1,469,766
Loans to other municipality	7	-	-
Other financial assets	8	-	102,965,384
Other receivables from exchange transactions	11	15,875,284	12,551,075
Receivables from non-exchange transactions	12	37,812,058	39,332,450
VAT receivable	13	6,216,499	8,106,397
Receivables from exchange transactions	14	12,424,493	10,289,260
Cash and cash equivalents	15	14,639,964	65,093,100
		89,809,673	**239,807,432**
Non-Current Assets			
Investment property	3	11,196,000	11,196,000
Property, plant and equipment	4	893,673,561	856,347,950
Intangible assets	5	405,379	402,763
Heritage assets	6	171,053	171,053
		905,445,993	**868,117,766**
Total Assets		**995,255,666**	**1,107,925,198**
Liabilities			
Current Liabilities			
Finance lease obligation	16	582,651	-
Payables from exchange transactions	19	69,940,115	53,640,486
Unspent conditional grants and receipts	17	5,465,566	9,380,346
Employee benefit obligation - current portion	9	2,641,731	472,265
Provision for Compensation Commission		803,446	-
		79,433,509	**63,493,097**
Non-Current Liabilities			
Finance lease obligation	16	1,187,160	-
Employee benefit obligation	9	21,653,049	23,713,553
Provision for rehabilitation for dumping site	18	14,360,144	14,360,144
		37,200,353	**38,073,697**
Total Liabilities		**116,633,862**	**101,566,794**
Net Assets		**878,621,804**	**1,006,358,404**
Accumulated surplus		878,621,804	1,006,358,404

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	4,594,593	4,472,543
Rental of facilities and equipment	22	836,285	767,530
Interest received (overdue accounts)		12,205,023	8,462,060
Agency services		226,696	318,997
Licences and permits		5,160,503	4,926,246
Other income	23	1,579,115	1,954,142
Interest received - investment	24	11,958,996	15,345,803
Retention recovered		370,882	-
Gains on fair value measurements		171,037	-
Total revenue from exchange transactions		**37,103,130**	**36,247,321**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	35,238,339	36,754,780
Traffic fines		6,256,181	438,150
Transfer revenue			
Government grants & subsidies	26	343,970,662	315,487,287
Total revenue from non-exchange transactions		**385,465,182**	**352,680,217**
Total revenue	20	**422,568,312**	**388,927,538**
Expenditure			
Employee related costs	27	(125,313,885)	(118,008,311)
Remuneration of councilors	28	(22,143,882)	(19,431,700)
Depreciation and amortisation	29	(84,607,767)	(36,866,552)
Impairment loss/ Reversal of impairments	30	(159,992,951)	(51,007)
Finance costs	31	(111,400)	-
Lease rentals on operating lease		(1,576,580)	(1,330,757)
Debt Impairment	32	(39,446,358)	(25,613,658)
Bad debts written off	33	(2,816,107)	-
Contracted services	34	(52,028,133)	(40,019,486)
Loss on disposal of assets and liabilities		-	(2,379,722)
Actuarial losses		(2,322,492)	(2,356,173)
General Expenses	35	(56,508,488)	(74,692,746)
Total expenditure		**(546,868,043)**	**(320,750,112)**
(Deficit) surplus for the year		**(124,299,731)**	**68,177,426**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**938,180,978**	**938,180,978**
Changes in net assets		
Surplus for the year	68,177,426	68,177,426
Total changes	68,177,426	68,177,426
Restated* Balance at 01 July 2017	**1,002,921,535**	**1,002,921,535**
Changes in net assets		
Deficit for the year	(124,299,731)	(124,299,731)
Total changes	(124,299,731)	(124,299,731)
Balance at 30 June 2018	**878,621,804**	**878,621,804**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash received from trade services, rates and rentals		42,260,176	51,538,872
Cash received from agency fines and sundry income		8,603,911	2,711,289
Grants		341,576,274	296,853,609
Interest income		24,164,019	23,173,789
		416,604,380	374,277,559
Payments			
Employee costs		(145,369,840)	(134,533,648)
Suppliers		(98,683,192)	(123,708,685)
		(244,053,032)	(258,242,333)
Net cash flows from operating activities	37	**125,947,124**	**116,662,723**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(121,129,825)	(127,077,830)
Purchase of other intangible assets	5	(1,546,384)	(1,531,409)
Proceeds from sale of financial assets		(56,297,308)	(102,965,384)
Net cash flows from investing activities		**(178,973,517)**	**(231,574,623)**
Cash flows from financing activities			
Movement on provision for compensation		803,446	-
Finance lease payments		1,769,811	-
Net cash flows from financing activities		**2,573,257**	**-**
Net increase/(decrease) in cash and cash equivalents		**(50,453,136)**	**(114,911,900)**
Cash and cash equivalents at the beginning of the year		65,093,100	180,005,001
Cash and cash equivalents at the end of the year	15	**14,639,964**	**65,093,101**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,300,000	100,000	**4,400,000**	4,594,593	**194,593**	
Rental of facilities and equipment	867,970	(56,020)	**811,950**	836,285	**24,335**	
Interest received (overdue accounts)	5,000,000	-	**5,000,000**	12,205,023	**7,205,023**	A
Agency services	-	-	**-**	226,696	**226,696**	B
Licences and permits	7,300,000	(1,711,514)	**5,588,486**	5,160,503	**(427,983)**	
Other income	1,800,000	29,500,822	**31,300,822**	1,579,115	**(29,721,707)**	C
Interest received - investment	11,776,000	5,547,603	**17,323,603**	11,958,996	**(5,364,607)**	D
Total revenue from exchange transactions	**31,043,970**	**33,380,891**	**64,424,861**	**36,561,211**	**(27,863,650)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,000,000	-	**30,000,000**	35,238,339	**5,238,339**	E
Traffic fines	100,000	101,920	**201,920**	6,256,181	**6,054,261**	F
Transfer revenue						
Government grants & subsidies	323,193,000	26,232,582	**349,425,582**	343,970,662	**(5,454,920)**	
Total revenue from non-exchange transactions	**353,293,000**	**26,334,502**	**379,627,502**	**385,465,182**	**5,837,680**	
Total revenue	**384,336,970**	**59,715,393**	**444,052,363**	**422,026,393**	**(22,025,970)**	
Expenditure						
Personnel	(133,872,944)	6,476,179	**(127,396,765)**	(125,313,885)	**2,082,880**	
Remuneration of councilors	(20,646,485)	(1,888,572)	**(22,535,057)**	(22,143,882)	**391,175**	
Depreciation and amortisation	(30,000,000)	-	**(30,000,000)**	(84,607,767)	**(54,607,767)**	G
Impairment loss/ Reversal of impairments	-	-	**-**	(159,992,951)	**(159,992,951)**	
Finance costs	-	-	**-**	(111,400)	**(111,400)**	
Lease rentals on operating lease	(1,550,000)	(113,000)	**(1,663,000)**	(1,576,580)	**86,420**	H
Debt Impairment	(15,000,000)	-	**(15,000,000)**	(39,446,358)	**(24,446,358)**	I
Bad debts written off	-	-	**-**	(2,816,107)	**(2,816,107)**	
Contracted Services	(11,900,000)	(65,941,853)	**(77,841,853)**	(52,028,133)	**25,813,720**	J
General Expenses	(88,343,439)	32,366,431	**(55,977,008)**	(56,508,488)	**(531,480)**	K
Total expenditure	**(301,312,868)**	**(29,100,815)**	**(330,413,683)**	**(544,545,551)**	**(214,131,868)**	
Operating deficit	**83,024,102**	**30,614,578**	**113,638,680**	**(122,519,158)**	**(236,157,838)**	
Gain on disposal of assets and liabilities	-	700,000	**700,000**	370,882	**(329,118)**	L
Fair value adjustments	-	-	**-**	171,037	**171,037**	M
Actuarial gains/losses	-	-	**-**	(2,322,492)	**(2,322,492)**	
	-	**700,000**	**700,000**	**(1,780,573)**	**(2,480,573)**	
Deficit before taxation	**83,024,102**	**31,314,578**	**114,338,680**	**(124,299,731)**	**(238,638,411)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**83,024,102**	**31,314,578**	**114,338,680**	**(124,299,731)**	**(238,638,411)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

A -Interest received on overdue accounts
The municipality's debtor book keeps on increasing because customers are not paying accounts.

B - Agency fees was not budgeted for during the current year.

C - Other income
The budget included an amount of R30 million for VAT recovered for which the actual amount received is not captured under other income but captured under current assets.

D - Interest received on investment
Interest from VBS investments accounts were captured up to February due to the bank being under curatorship.

E - Property rates
Revenue on property is based on completeness

F - Traffic fines
Traffic fines for the current year are based on IGRAP 1 which requires that Municipalities should recognise traffic fines based on the traffic fines issued, instead of the collection. Whereas the budget was based on the actual collections.

G - Depreciation

Many projects were completed in the current year and assets that were previously not included in the assets register are now included and depreciated.

H - Lease rental on operating lease

Lease on computer equipment was incurred during the year

I - Debt impairment

A retrospective adjustment to account for completeness on property rates was performed for 2017/18 which had a significant impact on the impairment for the year.

J - Contracted services

The Contracted Services mainly consist of Electrification Projects and the one that was funded by Grant had unspent grant of R 5.8 Million. The ones funded internally depended on revenue collections.

K -General expenses
Some expenses were incurred under contracted services during the year.

L - Retention recovered

Retention recovered is due to rentention waived by the contractor

M - Fair value

Assets for Thomo Community Hall assets that were not previously recorded were fair valued at year end.

Total expenditure

There were no unauthorised expenditure during the year, the difference is due to impairment of VBS investment and non cash items.(Debt impairment and Depreciation).

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

EXPLANATION OF DIFFERENCES BETWEEN APPROVED BUDGET AND ADJUSTED BUDGET

1. Service Charges

The budget for services charges was increase during the adjustment budget after checking the collection trend for the first 6 months

2. Rental of facilities and equipment

The budget was decrease during the year due to the downward collection for the service from July to December

3. Licences and permits

The budget was decrease during the year after the collection trend for the first 6 months

4. Other income

Budget for VAT was budget under other income during the adjustment

5. Interest on Investment

The budget was increased due to the two investments which was done with VBS for the period of 12 months.

6.Traffic fines

The budget was increased based on the collection in the first 6 months

7.Government Grants & subsidies

The budget was increase because of the roll over of 9,3m which was approved by national treasury and MIG bonus of 17m which was received.

8.Employee related cost

The budget was decreased due to the budgeted positions which was not appointed for the first six months.

9.Remuneration of councillors

The budget was increased due to the upper limits of councillors

10.Lease rentals on operating lease

The budget was increased after checking the payments for lease for the first six months

11.Contracted services

Electricity project budget was under contracted services during budget adjustment whereas on the original budget it was part of capital project

12. General expenses

Some of the expenses were cut down during budget adjustment because of under collection during the 6 months

13. Gain on disposal of assets & liabilities

The budget was increased during the adjustment budget due to the disposal of assets which was planned for 2017 2018.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	
• Graders		5-15 years
• Tractors		5-15 years
• Lawn mowers		2 years
• Compressors		5 years
• Radio equipment		5 years
• Filing equipment		15 years
• Tippers		15 years
Furniture and fixtures	Straight line	
• Chairs		5-10 years
• Tables and desks		5-10 years
• Cabinets and cupboards		5-10 years
Motor vehicles	Straight line	
• Truck and light delivery vehicles		5-7 years
• Ordinary motor vehicles		5-8 years
Office equipment	Straight line	
• Office machines		5-8 years
• Air conditioners		
IT equipment	Straight line	
• Computer hardware		5-9 years
Community	Straight line	
• Cemeteries		30 years
• Community halls		30 years
• Libraries		30 years
• Parks		30 years
• Recreation centres		30 years
• Sports and related stadiums		30 years
• Tennins courts		30 years
• Golf courses		30 years
• Outdoor sports facilities		30 years
• Flood lighting		30 years

1.4 Property, plant and equipment (continued)

Roads and road furniture	Straight line	
• Other roads		10 years
• Traffic islands		10 years
• Traffic lights		20 years
• Streets lights		25 years
• Overhead bridges		30 years
• Stormwater drains		20 years
• Bridges, subways and culverts		30 years
• Car parks		20 years
• Bus terminals		20 years
Bins and containers	Straight line	
• Bulk refuse containers (skips)		10 years
Emergency equipment	Straight line	
• Fire hoses		5 years
• Other fire fighting equipment		15 years
• Emergency equipment		5 years
Heritage	Straight line	
• Mayoral chain		No asset life as no depreciation charge

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	12 months

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No asset lives are given.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

Accounting Policies

1.7 Financial instruments (continued)

- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.10 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The predestination of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.8

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. All estimates of revenue should based on amounts collectible, not previously collected.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

1.22 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.24 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Value-Added-Tax

The municiplity applies the payments basis for VAT purposes as per the Value-Added-Tax Act. Output tax is payable as and when the purchase considerations are received and input will be claimed as and when payments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:
- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	11,196,000	-	11,196,000	11,196,000	-	11,196,000

Reconciliation of investment property - 2018

	Opening balance	**Total**
Investment property	11,196,000	11,196,000

Reconciliation of investment property - 2017

	Opening balance	**Transfers received**	**Correction of Prior period error**	**Total**
Investment property	1,110,000	25,110,000	(15,024,000)	11,196,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	205,000	-	205,000	205,000	-	205,000
Buildings	120,856,542	(17,820,721)	103,035,821	105,010,219	(15,628,533)	89,381,686
Plant and machinery	14,496,825	(10,279,297)	4,217,528	13,014,998	(7,436,647)	5,578,351
Furniture and fixtures	1,826,996	(1,201,042)	625,954	1,699,532	(939,076)	760,456
Motor vehicles	13,425,764	(8,294,473)	5,131,291	12,523,365	(6,587,295)	5,936,070
Office equipment	661,942	(282,272)	379,670	375,477	(165,239)	210,238
IT equipment	4,031,471	(2,555,703)	1,475,768	3,195,979	(2,017,756)	1,178,223
Infrastructure	851,003,975	(193,807,188)	657,196,787	788,439,174	(120,315,366)	668,123,808
Community	137,431,733	(18,283,247)	119,148,486	100,536,410	(15,859,023)	84,677,387
Other leased Assets	1,924,731	(116,160)	1,808,571	-	-	-
Air conditioners	953,189	(504,504)	448,685	688,208	(391,477)	296,731
Total	**1,146,818,168**	**(253,144,607)**	**893,673,561**	**1,025,688,362**	**(169,340,412)**	**856,347,950**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfer in	WIP	Transfers out	Depreciation	Impairment loss	Total
Land	205,000	-	-	-	-	-	-	205,000
Buildings	89,381,686	152,842	-	15,693,480	-	(2,192,187)	-	103,035,821
Plant and machinery	5,578,351	1,481,827	-	-	-	(2,121,290)	(721,360)	4,217,528
Furniture and fixtures	760,456	127,464	-	-	-	(261,657)	(309)	625,954
Motor vehicles	5,936,070	902,398	-	-	-	(1,707,177)	-	5,131,291
Office equipment	210,238	286,466	-	-	-	(115,737)	(1,297)	379,670
IT equipment	1,178,223	835,491	-	-	-	(530,652)	(7,294)	1,475,768
Infrastructure	668,123,808	209,426	52,249,348	62,355,374	(52,249,348)	(73,491,821)	-	657,196,787
Community	84,677,387	-	21,090,977	36,895,345	(21,090,977)	(2,424,246)	-	119,148,486
Finance lease assets	-	1,924,731	-	-	-	(116,160)	-	1,808,571
Air conditioners	296,731	264,981	-	-	-	(113,027)	-	448,685
	856,347,950	**6,185,626**	**73,340,325**	**114,944,199**	**(73,340,325)**	**(83,073,954)**	**(730,260)**	**893,673,561**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Correction of Prior period errors	WIP	Transfers	Revaluations	Deemed replacement costs	Depreciation	Impairment loss	Total
Land	205,000	-	-	-	-	-	-	-	-	205,000
Buildings	104,843,621	-	(7,656,825)	19,478,605	(25,110,000)	-	-	(2,173,715)	-	89,381,686
Plant and machinery	10,478,409	-	(712,320)	-	-	(1,371,953)	-	(2,770,532)	(45,253)	5,578,351
Furniture and fixtures	1,379,756	-	107,577	-	-	(412,893)	-	(309,854)	(4,130)	760,456
Motor vehicles	4,361,689	3,010,099	345,160	-	-	(105,990)	-	(1,674,888)	-	5,936,070
Office equipment	523,606	-	(6,613)	-	-	(204,848)	-	(101,907)	-	210,238
IT equipment	1,634,445	139,249	493,852	-	-	(601,799)	-	(486,344)	(1,180)	1,178,223
Infrastructure	314,229,144	25,353,566	10,401,311	54,663,945	-	-	289,419,088	(25,943,246)	-	668,123,808
Community	56,044,264	2,020,672	3,016,159	25,505,936	-	-	-	(1,909,644)	-	84,677,387
Finance leased assets	321,226	-	(111,994)	-	-	(60,007)	-	(149,225)	-	-
Air conditioners	439,240	-	22,425	-	-	(61,759)	-	(102,731)	(444)	296,731
	494,460,400	**30,523,586**	**5,898,732**	**99,648,486**	**(25,110,000)**	**(2,819,249)**	**289,419,088**	**(35,622,086)**	**(51,007)**	**856,347,950**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	50,682,056	55,396,467	42,871,007	148,949,530
Prior year adjustments	3,399,159	257,898	-	3,657,057
Additions/capital expenditure	62,355,374	36,895,345	15,693,480	114,944,199
Transferred to completed items	(52,249,325)	(21,090,977)	-	(73,340,302)
	64,187,264	**71,458,733**	**58,564,487**	**194,210,484**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16,706,127	29,890,531	23,392,402	69,989,060
Additions/capital expenditure	54,663,945	25,505,936	19,478,605	99,648,486
Transferred to completed items	(20,688,016)	-	-	(20,688,016)
	50,682,056	**55,396,467**	**42,871,007**	**148,949,530**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,203,208	(3,797,829)	405,379	1,673,493	(1,270,730)	402,763

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	402,763	1,546,384	(1,543,768)	405,379

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	115,820	1,531,409	(1,244,466)	402,763

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	171,053	-	171,053	171,053	-	171,053

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets (continued)

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	171,053	171,053

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chain	171,053	171,053

7. Loans to (from) economic entities

Other Municipalitties

Mopani District Municipality	-	-

Loan granted	15,000,000	-
Less: repayment	(15,000,000)	-
	-	-

A financial assistance was granted to Mopani District Municipality during the year. No interest was charged and repayment was made in full within the agreed period, which was before 03 November 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Other financial assets

Designated at fair value		
VBS Investments	159,992,951	102,965,384
	159,992,951	102,965,384
Impairments	(159,992,951)	-
	-	**102,965,384**

Current assets		
Designated at fair value	-	102,965,384

VBS Reconcilliation		
Opening balance	102,965,384	-
Add: Capital invested during the year	48,656,282	100,000,000
Add: Interest earned during the year	7,641,025	2,965,384
Less: Provision Impairment	(159,262,691)	-
	-	**102,965,384**

9. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2018 (the "Valuation Date 13 August 2018)

The valuation considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 4 218.17 for the year ending 30 June 2019. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening accrued liability	**17,988,571**	**18,224,100**	**17,322,210**	**19,997,833**
Current service cost	1,126,988	1,083,889	960,724	1,055,836
Interest cost	1,668,874	1,849,415	1,714,899	1,979,785
Expected contributions (benefits paid)	-	-	-	-
Total annual expense	2,795,862	**2,933,304**	**2,675,623**	**3,035,621**
Actuarial loss/(gain)	(2,560,333)	(3,835,194)	-	-
Closing accrued liability	**18,224,100**	**17,322,210**	**19,997,833**	**23,033,454**

Notes

- These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Long service award

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.

The salaries used in the valuation include an assumed increase on 1 July 2018 of 7% as per the SALGBC Circular No.: 02/2017. The next salary increase was assumed to take place on 1 July 2018.

The accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Opening accrued liability	**5,418,042**	**5,961,718**	**6,972,570**	**5,340,938**
Current service cost	508,510	522,971	537,111	581,852
Interest cost	450,351	474,971	472,988	431,326
Expected benefit vesting	(220,126)	(472,265)	(2,641,731)	(332,550)
Actuarial loss/(gain)	(195,059)	485,175	-	-
Closing accrued liability	**5,961,718**	**6,972,570**	**5,340,938**	**6,021,566**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Inventories

Consumable stores	2,841,375	1,469,766

10.1 Reconcilliation

Opening balance	1,469,766	1,519,040
Add: purchases	7,349,179	914,287
Less: Consumables for the year	(5,977,570)	(963,561)
	2,841,375	**1,469,766**

11. Other receivables from exchange transactions

Inter Municipal Acct(Mopani District Municipality)	12,582,225	9,688,458
Agency fee(Mopani District Municipality)	2,900,820	2,674,123
Sundry receivables	3,596,581	3,596,581
Other debtors	-	17,681
Accrued interest receivable	392,599	171,173
Staff receivables	9,263	9,263
Sundry Receivables - Provision for doubtful debts	(3,606,204)	(3,606,204)
	15,875,284	**12,551,075**

Staff recievables of R 9 263 relate to to the overpayment of salaries to the coucillors. The amount is supposed to be paid back to the Municipality by the councillors over the period of 6 months starting from July 2018. This is as per the council resolution taken by the Greater Giyani Municipal Council.

Sundry debtors of R 3 596 581 relates to sale of stands through an auction during 2009. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result , it was provided for in full based on the credit control policy.

12. Receivables from non-exchange transactions

Traffic fines	7,527,584	1,528,008
Consumer debtors - Rates	120,391,926	94,102,766
Provision for impairment	(90,107,452)	(56,298,324)
	37,812,058	**39,332,450**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(56,298,325)	(37,909,722)
Provision for impairment	(33,809,127)	(18,388,603)
	(90,107,452)	**(56,298,325)**

13. VAT receivable

VAT	6,216,499	8,106,397

VAT receivable is a net result of Input VAT which is (Receivable from SARS) and Output VAT which is (Payable to SARS).

The municipality is predominantly funded by Government Grants which are zero rated. Therefore, Input VAT has been claimed which has not been received as yet.

Output VAT is paid over to SARS only when payment is received from debtors.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Receivables from exchange transactions

	2018	2017
Gross balances		
Debtors with credit balances	2,504,189	2,362,188
Refuse	24,391,098	21,048,324
Housing rental	4,608,674	3,885,150
Cementries	4,054,343	490,180
	35,558,304	**27,785,842**
Less: Allowance for impairment		
Refuse	(17,076,729)	(14,485,475)
Housing rental	(3,226,631)	(2,673,764)
Cemeteries	(2,830,451)	(337,343)
	(23,133,811)	**(17,496,582)**
Net balance		
Debtors with credit balances	2,504,189	2,362,188
Refuse	7,314,369	6,562,849
Housing rental	1,382,043	1,211,386
Cementries	1,223,892	152,837
	12,424,493	**10,289,260**
Rates		
Current (0 -30 days)	2,750,329	3,211,658
31 - 60 days	2,696,223	2,181,266
61 - 90 days	2,446,031	2,771,850
91 - 120 days	2,242,186	2,073,320
121 - 365 days	2,440,626	2,492,396
> 365 days	55,510,276	67,256,342
	68,085,671	**79,986,832**
Refuse		
Current (0 -30 days)	226,849	411,120
31 - 60 days	204,529	217,676
61 - 90 days	195,062	457,291
91 - 120 days	171,347	228,920
121 - 365 days	179,629	466,153
> 365 days	13,247,881	13,073,667
	14,225,297	**14,854,827**
Housing rental		
Current (0 -30 days)	41,644	54,928
31 - 60 days	42,044	52,253
61 - 90 days	41,844	64,125
91 - 120 days	40,944	48,339
121 - 365 days	44,444	96,542
> 365 days	3,114,606	3,568,963
	3,325,526	**3,885,150**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Receivables from exchange transactions (continued)

Cementries		
Current (0 -30 days)	19,603	20,994
31 - 60 days	21,408	18,821
61 - 90 days	20,271	23,182
91 - 120 days	19,518	15,245
121 - 365 days	18,217	29,868
> 365 days	(965,602)	382,070
	(866,585)	**490,180**

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	14,339,908	64,008,948
Short-term deposits	300,056	1,084,152
	14,639,964	**65,093,100**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
FNB BANK - Current Account - 71032635579	300,056	275,913	257,258	300,056	279,859	260,777
ABSA BANK - Current Account - 4077078193	11,514,546	12,816,006	34,343,042	11,535,858	12,847,831	34,375,021
ABSA BANK - Current Account - 4077078486	2,125,759	279,083	224,231	2,125,759	223,512	127,542
ABSA BANK - Call Deposit - 4078155655	57,165	26,974,468	25,187,624	57,165	26,974,468	25,319,082
ABSA BANK - Call Deposit - 4078155744	44,366	20,934,782	31,189,150	44,366	20,934,782	31,351,932
Standardbank - Notice Account - 068860166001	-	-	33,218,148	-	-	33,218,148
Investec BANK - Momentum Income Plus Fund A - 561313/435732/INVIB	-	804,294	-	-	804,294	-
ABSA BANK - Current Account - 4093302071	282,539	-	-	282,539	-	-
Nedbank - Notice Account - 03/781116218/00008	-	-	-	-	-	55,352,499
Total	**14,324,431**	**62,084,546**	**124,419,453**	**14,345,743**	**62,064,746**	**180,005,001**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Finance lease obligation

Minimum lease payments due		
- within one year	877,508	-
- in second to fifth year inclusive	1,389,388	-
	2,266,896	-
less: future finance charges	(497,085)	-
Present value of minimum lease payments	**1,769,811**	**-**

Present value of minimum lease payments due		
- within one year	582,651	-
- in second to fifth year inclusive	1,187,160	-
	1,769,811	**-**

Non-current liabilities	1,187,160	-
Current liabilities	582,651	-
	1,769,811	**-**

It is municipality policy to lease computers under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 19.5%..

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

At the end of the finance lease contract, ownership of the leased assets will be retained by the municipality.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	9,380,346
Integrated National Electrification Grant (INEG)	5,465,566	-
	5,465,566	**9,380,346**

Movement during the year

Balance at the beginning of the year	9,380,346	4,472,278
Additions during the year	105,245,000	87,907,722
Income recognition during the year	(109,159,780)	(82,999,654)
	5,465,566	**9,380,346**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2018	2017

18. Provision for rehabilitation for dumping site

Reconciliation of provision for rehabilitation for dumping site - 2018

	Opening Balance	Total
Environmental rehabilitation	14,360,144	14,360,144

Reconciliation of provision for rehabilitation for dumping site - 2017

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	14,799,593	(439,449)	14,360,144

The above represents the cost of rehabilitating the municipal dump site in line with recommended environmental practices.

19. Payables from exchange transactions

	2018	2017
Trade payables	17,428,995	9,242,653
Retentions	27,543,369	23,344,674
Accrued leave pay	16,055,753	14,085,615
Accrued 13th cheque	2,816,591	2,807,764
Payroll creditors	104,536	399,164
Unspecified direct deposits	3,486,682	1,416,573
Debtors with credit balances	2,504,189	2,344,043
	69,940,115	**53,640,486**

Inter-municipal account - Mopani District Municipality

	2018	2017
Gross revenue -Water	106,462,816	95,968,098
Gross revenue -Sewerage	21,315,460	18,447,932
Gross revenue-Interest	40,785,650	35,033,046
Overheads -Water	(129,643,204)	(125,234,631)
Connections and Reconnections	82,318	-
Overheads -Sewerage	(15,233,327)	(13,923,699)
Water debtors exGGM -Water	(108,899,453)	(98,404,735)
Water debtors exGGM- Sewerage	(20,966,271)	(18,098,743)
Trade creditors	84,646	-
Inventory	(1,701,652)	(956,293)
Accrued leave	593,316	574,806
Accrued bonus	110,174	110,697
Long service ward	587,721	526,597
Post retirement medical contribution debts	818,001	1,093,043
Provision for doubtful debts	93,021,579	95,175,423
	(12,582,226)	**(9,688,459)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Revenue

Service charges	4,594,593	4,472,543
Rental of facilities and equipment	836,285	767,530
Interest received (overdue accounts)	12,205,023	8,462,060
Agency services	226,696	318,997
Licences and permits	5,160,503	4,926,246
Other income	1,579,115	1,954,142
Interest received - investment	11,958,996	15,345,803
Property rates	35,238,339	36,754,780
Traffic fines	6,256,181	438,150
Government grants & subsidies	343,970,662	315,487,287
	422,026,393	**388,927,538**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	4,594,593	4,472,543
Rental of facilities and equipment	836,285	767,530
Interest received (overdue accounts)	12,205,023	8,462,060
Agency services	226,696	318,997
Licences and permits	5,160,503	4,926,246
Other income	1,579,115	1,954,142
Interest received - investment	11,958,996	15,345,803
	36,561,211	**36,247,321**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	35,238,339	36,754,780
Traffic fines	6,256,181	438,150
Transfer revenue		
Government grants & subsidies	343,970,662	315,487,287
	385,465,182	**352,680,217**

21. Service charges

Solid waste	4,397,673	4,287,739
Cementery	196,920	184,804
	4,594,593	**4,472,543**

22. Rental of facilities and equipment

Premises		
Community services	180,301	166,571
Housing rental	580,464	560,280
	760,765	**726,851**

Facilities and equipment		
Rental of facilities	75,520	40,679
	836,285	**767,530**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Other income

Escort fees	15,779	16,304
Confirmation letters	366,778	364,145
Tender documents	646,115	906,754
Clearance certificates	11,512	9,946
Sale of grave plots	67,912	79,040
Application fees	19,752	-
Parking fees	-	18,668
Building plans	136,489	293,279
Re-issue of statements	-	9,330
Sundry income	78,512	57,776
Advertisement	114,437	109,860
Sale of refuse bins	37,372	14,884
Library fees	3,785	2,736
Transfer and registrations	80,328	71,420
Insurance recoveries	344	-
	1,579,115	**1,954,142**

24. Investment revenue

Interest revenue		
Other financial assets	8,460,785	10,575,281
Bank	3,498,211	4,770,522
	11,958,996	**15,345,803**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Property rates

Rates received

Residential	11,008,210	12,727,881
Commercial	4,654,802	5,142,157
State	19,320,188	18,649,595
Public benefit organisations	171,051	163,490
Industrial	84,088	71,657
	35,238,339	**36,754,780**

Valuations

Residential	1,512,826,635	1,512,826,635
Commercial	252,340,307	252,340,307
State	203,350,902	203,350,902
Institute	163,803,300	163,803,300
Agricultural	300,000	300,000
Public Open Space	20,866,800	20,866,800
Sport Centre	870,000	870,000
Industrial	32,527,548	32,527,548
Nature Reserve	19,350,000	19,350,000
Churches	15,546,750	15,546,750
	2,221,782,242	**2,221,782,242**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Balances disclosed does not take into annual supplementary valuation, since supplementary valuation are flactuating either up or down.

The new general valuation will be implemented on 01 July 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies

Operating grants		
Equitable share	234,578,000	219,308,000
Expanded Public Works Program(EPWP)	4,364,000	1,158,000
Finance Management Grant(FMG)	2,145,000	1,810,000
Local Govt Sector Education & Training Authority(LGSETA)	232,882	211,633
	241,319,882	**222,487,633**
Capital grants		
Municipal Infrastructure Grant(MIG)	88,116,346	82,999,654
Integrated National Electrification Grant(INEG)	14,534,434	10,000,000
	102,650,780	**92,999,654**
	343,970,662	**315,487,287**

Municipal Infrastructure Grant(MIG)

Balance unspent at beginning of year	9,380,346	4,472,278
Current-year receipts	78,736,000	87,907,722
Conditions met - transferred to revenue	(88,116,346)	(82,999,654)
	-	**9,380,346**

Integrated National Electrification Grant(INEG)

Current-year receipts	20,000,000	10,000,000
Conditions met - transferred to revenue	(14,534,434)	(10,000,000)
	5,465,566	**-**

Expanded Public Works Program(EPWP)

Current-year receipts	4,364,000	1,158,000
Conditions met - transferred to revenue	(4,364,000)	(1,158,000)
	-	-

Finance Management Grant(FMG)

Current-year receipts	2,145,000	1,810,000
Conditions met - transferred to revenue	(2,145,000)	(1,810,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs

Basic	82,161,678	77,593,985
Medical aid - company contributions	3,467,547	3,106,567
UIF	613,912	301,860
WCA	681,655	1,678,856
SDL	971,852	1,017,807
Other payroll levies	47,837	32,487
Defined contribution plans	14,844,368	14,431,149
Overtime payments	5,419,190	4,310,186
Long-service awards	458,611	411,220
13th Cheques	5,865,361	5,510,331
Acting allowances	147,315	318,587
Car allowance	9,503,077	8,679,957
Housing benefits and allowances	458,810	281,614
Leave pay	421,520	-
Night Shift	104,663	-
Clothing Allowance	20,000	15,000
Rural Allowance	126,489	318,705
	125,313,885	**118,008,311**

Remuneration of Municipal Managers

Annual Remuneration	495,788	37,168
Rural Allowance	23,388	-
Car Allowance	60,000	-
Contributions to UIF, Medical and Pension Funds	30,989	520
Acting Allowance	52,238	13,938
	662,403	**51,626**

Remuneration of Chief Financial Officer

Annual Remuneration	574,587	639,177
Car Allowance	295,428	231,955
Leave pay	-	179,756
Contributions to UIF, Medical and Pension Funds	79,141	38,002
Acting Allowance	73,937	165,817
Backpay	47,298	-
Rural Allowance	22,400	-
	1,092,791	**1,254,707**

Remuneration of Directors - Corporate & Shared Services:

Annual Remuneration	586,370	569,225
Car Allowance	322,621	168,572
Leave Pay	-	176,629
Contributions to UIF, Medical and Pension Funds	39,782	134,555
Acting allowance	20,764	58,217
Rural Allowance	22,400	-
Backpay	36,335	-
	1,028,272	**1,107,198**

Remuneration of director Technical Services

Annual Remuneration	694,414	665,438
Car Allowance	328,000	328,000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs (continued)

Backpay	48,401	-
Contributions to UIF, Medical and Pension Funds	11,837	11,063
Acting allowance	12,548	55,685
	1,095,200	**1,060,186**

Remuneration of Strategic Planning and LED

Annual Remuneration	173,213	232,859

Remuneration of acting director Community Services

Acting Allowance	20,973	165,785

28. Remuneration of councillors

Mayor	840,313	784,412
Speaker	681,131	603,909
Councillors	20,622,438	18,043,379
	22,143,882	**19,431,700**

29. Depreciation and amortisation

Property, plant and equipment	83,063,999	35,622,086
Intangible assets	1,543,768	1,244,466
	84,607,767	**36,866,552**

30. Impairment of assets

Impairments		
Property, plant and equipment	730,259	51,007
During the verification of assets, some assets were noted to be in poor condition and were impaired in terms of GRAP 21 Impairment of Non-cash generating assets. The assets were impaired as follows: Furniture and fittings: R 1 605 Plant and machinery: R 721 360 IT Equipment: R 7 293		
Other financial assets	159,262,692	-
Impairment is provided for investment in VBS as per National Treasury communication due to the bank being put under curatorship and the possibility that the capital invested might be irrecoverable.		
	159,992,951	**51,007**

31. Finance costs

Finance leases	111,400	-

32. Debt impairment

Debt impairment - consumer debtors	39,112,976	25,229,239
Debt impairment - revenue forgone	319,450	384,419
	39,432,426	**25,613,658**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Bad debts written off

Interest on overdue accounts	2,816,107	-

34. Contracted services

Infrastructure services	3,011,035	-
Electrical services	16,242,094	-
Repairs and maintenance services	2,879,293	15,055,485
Business and advisory services	20,304,530	4,546,013
Other Contractors	9,591,181	20,417,988
	52,028,133	**40,019,486**

35. General expenses

Advertising	578,336	514,139
Auditors remuneration	4,514,237	3,225,870
Bank charges	267,073	3,535,284
Catering services	822,415	284,196
Consulting and professional fees	149,369	24,011,238
Consumables	5,875,398	963,561
Donations	-	10,000
Hire	1,641,031	-
Insurance	353,705	403,954
Community development and training	3,576,000	12,603,140
IT expenses	-	55,407
Magazines, books and periodicals	-	127,660
Medical expenses	-	11,485
Motor vehicle expenses	103,518	2,161,621
Fuel and oil	2,522,140	-
Postage and courier	86,427	118,838
Printing and stationery	736,061	1,504,845
Protective clothing	1,731,496	-
Subscriptions and membership fees	115,282	1,452,620
Telephone and fax	1,249,524	1,187,950
Training	-	1,652,624
Travel - local	7,844,799	9,116,708
Legal services	4,233,898	720,130
Electricity	1,670,972	1,743,082
Uniforms	-	1,575
Accomodation	5,979,720	-
Free basic electricity	10,154,556	8,757,003
Incidental costs	8,510	-
Busaries	497,920	529,816
Other expenses	1,796,101	-
	56,508,488	**74,692,746**

36. Auditors' remuneration

Audit fees	4,514,237	3,225,870

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Cash generated from operations

(Deficit) surplus	(124,299,731)	68,177,426
Adjustments for:		
Depreciation and amortisation	84,607,767	36,866,552
(Loss) gain on sale of assets and liabilities	(370,882)	2,379,722
Fair value adjustments	(171,037)	-
Finance costs - Finance leases	111,400	-
Impairment deficit	159,992,951	51,007
Debt impairment	39,446,358	25,613,658
Bad debts written off	2,816,107	-
Movements in retirement benefit assets and liabilities	(2,060,504)	2,354,388
Movements in provisions	-	(439,449)
Changes in working capital:		
Inventories	(1,371,609)	49,274
Other receivables from exchange transactions	(3,324,209)	(2,437,834)
Consumer debtors	(41,581,591)	9,907,369
Other receivables from non-exchange transactions	1,520,392	(23,541,746)
Payables from exchange transactions	16,299,624	(4,373,950)
VAT	1,889,898	(2,851,762)
Unspent conditional grants and receipts	(3,914,780)	4,908,068
Provision for Compensation Commission	(3,643,030)	-
	125,947,124	**116,662,723**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Commitments

Authorised capital expenditure

Contract approved and services have been rendered

• Rehabilitation of streets in all sections	2,172,099	-
• Upgrading Nkhensani access road	578,893	-
• Development of road and stormwater master plan	1,620,888	-
• Civic Centre Office Phase II	-	9,791,925
• Construction of Landfill site and waste Disposal	59,421,770	-
• Bode paving of internal streets	5,457,018	-
• Mageva sports centre	6,862,602	15,658,768
• Electrification of villages :Mhlava -Willem ,Sekhing ,Mbatlo & Shivulani	7,667,934	-
• Homu 14B to 14A upgrading fromgravel to tar	16,869,925	-
• Makosha access road upgrading from gravel to paving	28,350,795	-
• Upgrading of Civic Centre parking lot	3,642,888	3,642,888
• Mbaula upgrading from gravel to tar	-	21,715,349
• Upgrading of traffic lights and R81 lights	9,952,458	12,163,183
• Giyani section F streets phase 3 and 4	367,332	9,121,394
• Giyani section E sports centre precint	16,027,641	18,735,852
• Refurbishment of Giyani stadium and section A tennis court	3,316,836	281,322
• Energising 30 High Mast lights in high crimes zones	-	580,155
• Formalisation of settlement	138,368	276,913
• Upgrading of Makhuva road D3187 from gravel to tar	9,027,938	-
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi	1,563,063	-
• Energising of 51 Highmast lights in hight crime prone zones	4,766,908	-
• Rehabilitation of Giyani stadium and section A tennis court and Shivulani sport centre (Consultant)	1,456,165	-
• Refurbishment of Shivhulani sports centre	371,656	-
• Refurbishment of Gawula sports centre	661,716	-
	180,294,893	**91,967,749**

Contract approved but where services have not taken place at the reporting date

• Electronic document management	456,000	-
• Electrification of Vuhehli, Ndindani, Gawula, Nwakhuwani and Mahlati Villages	-	6,451,013
• Purchase of plumbing material	75,963	-
• Purchase of water tanker	1,182,401	-
• Rehabilitation of streets in all sections	-	2,965,539
• Purchase of artificial lawn	12,480	-
• Public transport shelters - Turnkey	1,571,137	1,571,137
• Purchase of weilding materials	13,729	-
• Upgrading Nkhensani access road	-	1,076,845
• Development of road and stormwater master plan	-	3,620,382
• Upgrading of Makhuva road D3187 from gravel to tar	-	14,956,019
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi	-	6,697,512
• Energising of 51 Highmast lights in hight crime prone zones	-	5,435,518
• Rehabilitation of dumping site	-	5,667,045
	3,311,710	**48,441,010**

Total capital commitments

Contract approved and services have been rendered	180,294,893	91,967,749
Contract approved but where services have not taken place at the reporting date	3,311,710	48,441,010
	183,606,603	**140,408,759**

Authorised operational expenditure

Contract approved and services have been rendered

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Commitments (continued)

	2018	2017
• Moveable and immoveable infrastructure assets verification	2,267,122	4,978,122
• Physical security services at Traffic testing	2,192,025	-
• Office space rental	90,869	224,974
• Land use management scheme	661,674	-
• Property Plant & Equipment Insurance	607,824	-
• Supply and delivery of municipal newsletter	131,250	656,250
• Supply, delvery, installation, maitenance and testing of photocopier services rental	422,355	1,244,056
• Review of the GGM Spatial development framework	989,070	-
	7,362,189	**7,103,402**

Total operational commitments

	2018	2017
Contract approved and services have been rendered	7,362,189	7,103,402

Total commitments

Total commitments

	2018	2017
Authorised capital expenditure	183,606,603	140,408,760
Authorised operational expenditure	7,362,189	7,103,402
	190,968,792	**147,512,162**

The following contracts are longer than 12 months	Contract start date	Contract end date	Contract amount
Supply ,delivery installation,maintenance and testing of photocopier services rental	01/09/2016	31/08/2019	1,823,616
Propertry, Plant and Equipment Insurance	01/07/2017	31/07/2020	982,033
Rehabilitation of streets in all sections	01/12/2016	30/11/2019	2,965,539
Electronic Document Management	01/10/2017	30/09/2020	456,000
Review of the GGM spatial development framework	29/12/2017	29/12/2019	1,489,069
Land use management scheme	29/12/2017	29/12/2019	1,131,382
	-	**-**	**8,847,639**

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality with a minimum lease payments of R 68 283.65 (2018) (R122 425.91:2017) for photocopiers, office property, radiophones and parking at Limpopo Economic Development Agency officies in Giyani. Contignet rent is payable on the number of copies made for the month.

Rental expenses relating to operating leases

	2018	2017
Contingent rents	93,405	92,730
Contractual	1,483,175	1,238,027
	1,576,580	**1,330,757**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

39. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

Case Description	Case Number	Legal Representative	2018 Potential Liability	2017 Potential Liability
Makamu Mamayila vs GGM. The claimant is suing the Municipality for the amount of R300 000 for falling into an unclosed municipal drain.	456/15	Baloyi Shirindza Attorneys	120,000	120,000
Nhlovo Sithole vs GGM. The claimant sued the municipality the amount of R400 000 for injuries sustained at the municipal park.	LP/GY/RC11/1	M.C. Baloyi Attorneys	300,000	300,000
			420,000	**420,000**

40. Related parties

Relationships

Accounting Officers	Refer to accounting officers' report note
Councillors	Refer to general information page 1 and 2
Members of key management	N. Mashau - Acting Chief Financial Officer J. Shivambu - Acting Chief Financial Officer M.I Khosa - Acting Director Community Services M.T Shiviti - Director Corporate Services P.M Mathebula - Director Technical Services N.J Nkuna - Director Strategic Planning and LED S.L Mabunda - Acting Director Strategic Planning and LED M.A Bamuza - Acting Director Strategic Planning and LED H.D Chauke - Acting Director Corporate Services N.O.C Mdungadzi - Acting Director Techinical Services

Related party balances

Related party transactions

	2018	2017
Agency Services		
Mopani District Municpality	226,696	318,997
Traffic fines		
Department of Transport Limpopo Province	6,256,181	438,150
Intermunicipal account		
Mopani District Municipality	(15,581,432)	(9,688,458)

Notes to the Annual Financial Statements

41. Prior period adjustment

Certain comparative figures have been corrected and reclassified, and the impact is as follows:

Investment R 102,965,384.00 in VBS was reclassified from cash and cash equivalent to finance assets.

Provision for impairment was erroneously classified as other trade payable in the prior year. Retrospective prior year adjustments was done in compliance with the revised IGRAP1, which requires Municipalities to recognise traffic fines revenue based on the traffic fines issued instead of the collecting probability.

Receivable from non-exchange transactions was understated in the prior and a retrospective adjustment was made on the completeness on property rates from July 2013 to 30 June 2017.

Property rates of R 2 889 525 was not accounted for due to some properties not being billed.

Traffic fines of R 406 891 was not accounted for due to fines being recognised on estimation.

VAT receivable was understated in with an amount this amount of R3,553,651.

Increase in intangible assets was understated by R 402,763.

Unspent conditional grant was understated with R 5722.

Reclassification of other income to other income R 112,596.

Depreciation was understated by R 1 636 231.

Debt impairment was understated by R 384 419 due to traffic fines that were not recognised.

Repairs and maintenance was reclassified as contracted services with an amount of R 16,265,310.

An amount of R 1 209 825 was inccectly expensed.

Actuarial losses was reclassified with an amount of R 2,356,173.

Interest on ovedue accounts was understated by R 2 816 107.

Contracted services of R 40 019 486 was classified under general expences in the prior year.

General expenses of R 25 285 586 was not accounted for.

Interest on investments was understated by R 171 173 due to accrued interest that was not accounted for..

Employee related costs was understated by R 1 517 068.

Cash and cash equivalent was overstated by R 102 965 384 of VBS investement which is reclassified as other financial assests.

Notes to the Annual Financial Statements

Figures in Rand

41. Prior period adjustment (continued)

Statement of financial position	As previously reported	Correction of error	Re-classification	Restated
Other financial assets	-	-	102,965,384	102,965,384
Receivables from exchange transactions	27,338,688	38,838	(14,997,624)	12,379,902
Receivables from non-exchange transactions	24,939,833	17,208,724	-	42,148,557
VAT receivables	4,552,746	3,553,651	-	8,106,397
Cash ansd cash equivalents	166,530,477	1,528,007	(102,965,384)	65,093,100
Investment property	26,220,000	(15,024,000)	-	11,196,000
Property,plant and equipment	558,566,680	301,960,694	-	860,527,374
Intangible assets	68,458	334,305	-	402,763
Payables from exchange transaction	(67,799,012)	(2,517,306)	14,997,624	(55,318,694)
Unspent conditional grants and receipts	(9,374,624)	(5,722)	-	(9,380,346)
	731,043,246	**307,077,191**	**-**	**1,038,120,437**

Statement of finanical performance	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment	880,126	-	(112,596)	767,530
Interest received (overdue accounts)	5,645,953	2,816,108	-	8,462,061
Other income	1,841,546	-	112,596	1,954,142
Interest received-investment	15,174,630	171,173	-	15,345,803
Property rates	33,865,255	2,889,525	-	36,754,780
Traffic fines	31,259	406,891	-	438,150
Employee related costs	(119,525,379)	1,517,068	-	(118,008,311)
Depreciation and amortisation	(38,502,783)	1,636,231	-	(36,866,552)
Repairs and maintenance	(16,265,310)	16,265,310	-	-
Debt impairment	(25,229,239)	(384,419)	-	(25,613,658)
Contracted services	-	(40,019,486)	-	(40,019,486)
Actuarial losses	-	(2,356,173)	-	(2,356,173)
General expenses	(99,978,332)	25,285,586	-	(74,692,746)
	(242,062,274)	**8,227,814**	**-**	**(233,834,460)**

42. Risk management

Financial risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiations of terms were made on any of these instruments.

Figures in Rand	2018	2017

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Interest rate swap	11,958,996	14,711,729

Market risk

Interest rate risk

Cash flow interest rate risk

Fair value interest rate risk

43. Deviations

Association Asphalt Equipment (PTY) LTD (Section 36 (1) a (i)}	1,133,018	-
TH CHAVALALA ((Section 36 (1) a (v)}	122,879	-
TH CHAVALALA ((Section 36 (1) a (v)}	123,640	-
TRAFFIC SIGNALS & ACCESSORIES (PTY)LTD (Section 36 (1) a (i)	94,962	-
Eulitsaki Construction and Cleaning (Section 32 (1) a}	984,617	-
Mavambo ITS (Section 32 (1) a}	346,992	-
	2,806,108	**-**

44. Fruitless and wasteful expenditure

Opening balance	1,652,845	7,574
Add: Fruitless and wasteful expenditure for current year	173,262	1,645,271
Less: written off	(1,600,000)	-
	226,107	**1,652,845**

No disciplinary steps were taken as a connsequence of above expenditure. Current year fruitless and wasteful expenditure comprises of the following:

Interest for late payments to Eskom - R 16 661.22

Interest for late payment to Auditor General South Africal - R223.27

Interest for late payment to Compesation Commissioner - R 154 261.90

Interest on late payment to Old Mutal Pension - R 1 774.59

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

45. Unauthorised expenditure

Opening Balance	11,544,739	-
Add: Unauthorized expenditure incurred during the year	206,452,633	11,544,739
	217,997,372	**11,544,739**

46. Irregular expenditure

Opening balance	12,997,781	7,308,784
Add: Irregular Expenditure - current year	1,071,191	5,688,997
	14,068,972	**12,997,781**

MPAC is currently busy with the investigatinos in line with Section 32 of the MFMA.

Irregular expenditure incurred during the year is VAT inclusive/

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5,146,249	3,225,870
Amount paid - current year	(5,146,249)	(3,225,870)
	-	-

VAT

VAT receivable	6,216,499	8,106,397

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mboweni Agrey Ernest	1,261	43,468	44,729
Cllr Chauke Mukhacani Juring	1,414	39,891	41,305
Cllr Makamu Mafakhale Alpheus	436	1,566	2,002
Cllr Manganyi Khazamula Abraham	1,175	5,206	6,381
Cllr Shivambu Hasani Richard	1,126	11,889	13,015
	5,412	**102,020**	**107,432**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Manganyi Khazamula Abraham	1,129	5,857	6,986
Cllr Bilankulu John Hlengani	893	440	1,333
Cllr Baloyi Tintswalo Elizabeth	1,820	12,657	14,477
Cllr Mboweni Agrey Ernest	1,735	35,757	37,492
Cllr Chauke Mukhacani Juring	1,814	31,724	33,538
Cllr Makamu Mafakhale Alpheus	1,024	8,019	9,043
Cllr Shivambu Hasani Richard	1,277	14,827	16,104
Cllr Shibambu Basani Agnes	1,348	4,989	6,337
	11,040	**114,270**	**125,310**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.